

## Legislative Bulletin.....November 8, 2005

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H.R. 4241 — Deficit Reduction Act (Title VII)

## Title VII : Committee on Transportation and Infrastructure

**Background:** Under the budget resolution (H. Con. Res. 95), the House authorizing committees were instructed to find savings to reduce the growth in mandatory spending. The House Transportation and Infrastructure Committee was originally tasked with finding \$103 million in savings as part of a \$35 billion package of savings over five years. Once the Republican Conference adopted the more ambitious goal of \$50 billion in savings over five years, the Committee was expected to find additional savings.

**Savings to Taxpayers:** According to CBO, Title VII would increase federal receipts, (a credit against direct spending and therefore a form of savings) by \$156 million over five years (see Table 1). Such savings amount to .03% of the \$53.9 billion deficit reduction package.

**Table 1. Savings, Outlays In Millions**

<b>Committee on Transportation and Infrastructure</b>	<b>2006</b>	<b>2006-10</b>
Increase Vessel Tonnage Fees	-30	-156
<b>Total Savings</b>	<b>-30</b>	<b>-156</b>

**Committee Action:** On October 26, 2005, the House Transportation and Infrastructure Committee reported its submissions to the House Budget Committee to be compiled into one reconciliation package along with the submissions of the other authorizing committees. On November 3<sup>rd</sup>, the Budget Committee reported the package, the Deficit Reduction Act, for consideration by the full House of Representatives.

- **Maritime Vessel Tonnage Fee Increase:** Increase net tonnage fees (net tonnage refers to a measurement of the vessel's weight) on vessels entering the United States from any foreign port. Specifically, the bill increases through FY10, tonnage fees (duties) from 2 cents to 4.5 cents (with a 22.5 cents per ton per year limit, up from 10 cents) on vessels entering the United States from most foreign ports in the Western Hemisphere (see additional information for specific list). In addition, the legislation increases fees from 6 cents to 13.5 cents (with a 67.5 cents per ton per year limit up

from 30 cents), on vessels arriving in the U.S. from foreign ports in the Eastern Hemisphere.

The bill provides that increased tonnage charges collected as a result of this provision are to be deposited in the general fund of the Treasury as offsetting receipts and ascribed to the Coast Guard for activities related to marine safety, search and research.

**Additional Information:** Vessel tonnage fees were originally established in Payne-Aldrich Tariff Act of August 5, 1909, a law which modified the amount of duty collected from imported merchandise. At that time, fees placed upon vessels entering the U.S. from the following list of countries, all located in the Western Hemisphere, were less than those placed upon vessels arriving from all of the other regions/countries, most of which are located in the Eastern Hemisphere:

- North America
- Central America
- West India Islands
- Bahama Islands
- Bermuda Islands
- States along the cost of South America bordering the Caribbean Sea or Newfoundland

According to U.S. Customs, the lower fee was designed to encourage trade and activity with those countries closest to the U.S. Since that time, this fee structure has continued to be enforced.

**New State-Government, Local-Government, or Private-Sector Mandates:**

According to CBO, this legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. However, the legislation does impose a new private-sector mandate on those operating vessels entering the United States from the countries affected under this legislation.

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